

22 January 1986

NOTE FOR: Director of Security, CIA

Attached is SECOM's submission to the DDCI in response to tasking on the DCI's memo of 7 Jan 86, regarding the SecState's speculation that financial data is better protected than classified information. It was delivered to yesterday. FYI.

Attachment: a/s

- 1 - OS Registry
 - 1 - DD/Security
 - 1 - DD/PSI
 - 1 - PPG/Maureen W
- OS 6 0092

24 JAN 1986

Exhibit page
W

~~CONFIDENTIAL~~

21 JAN 1986

COMPARATIVE HANDLING OF
FINANCIAL AND INTELLIGENCE DATA

ALL INFORMATION CONTAINED
HEREIN IS UNCLASSIFIED
DATE 10/1/86 BY 1045
1045
ICA
Secm

In a recent discussion with the Director of Central Intelligence, the Secretary of State expressed the view that there is a remarkably high degree of fidelity to the confidentiality of economics and financial information, compared to the way national security information is freely disclosed. The DCI responded that financial data must be kept secret, even by those who would misuse it, in order to retain its value. Nevertheless, he suggested that a comparison of the relative security of classified information and financial data could be useful.

The analogy between how financial/economic information is closely held and how loosely classified national defense information is handled is less than perfect. The prevalence of white collar crime suggests that financial information is frequently misused. The analogy is important, however, in demonstrating that our society and government attach more importance to protecting financial data than classified information. There seems to be more risk of opprobrium involved in the illicit discussion of pork belly futures than in the unauthorized disclosure of classified information about technologically advanced intelligence collection systems.

25X1

~~CONFIDENTIAL~~

CONFIDENTIAL

In general, the differences in approach to the protection of both kinds of data appear to stem from these causes:

- a. Understanding and appreciation of the importance of secrecy
- b. Penalties for the violation of secrecy
- c. Populations with access to the data
- d. Societal attitudes

Let us examine these factors.

Understanding and appreciation of the importance of secrecy. There is a tradition of secrecy in financial circles that fosters close-hold treatment of inside information. At the broadest level, banks regard confidentiality between the institution and its customers as a basic service. It directly benefits the bank and its employees to provide this service. At the apex of the financial world, the importance of guarding information from premature or unauthorized disclosure is recognized and accepted. It is to the executive's immediate personal benefit to keep the data secret. Leaks of such information could destroy the opportunity for profit and cost him his job, his reputation, and his future career. Even the individual who would seek illicit gain by misusing financial data has an incentive to hold the information closely, since revelation destroys its value.

On the government side, security is not always understood and accepted. To some, it is an inconvenience. Others fail to see the nuances in a classified intelligence report that distinguish it from a newspaper story on

CONFIDENTIAL

the same topic. The significance of the seemingly bland article that reveals sources and methods may not be readily apparent to them. The routine publication of quotations from anonymous government officials on classified intelligence matters tends to degrade the individual's understanding and respect for the security system. While the handling of money and sensitive economic data is a prime and universal function among those in the financial world, the handling of classified intelligence may be a secondary (at best) function of cleared government officials. Their primary interest is in getting certain things done, not in protecting sources and methods. The financial community has a homogeneous population. Everybody is experienced at handling money and financial data. Aside from CIA and NSA, the Intelligence Community and its clients often are relatively inexperienced at keeping secrets.

Understanding of penalties for violation of secrecy. There are explicit, unmistakable laws covering the revelation or misuse of a broad spectrum of economic and financial data. Commodity futures, corporate mergers, business transactions, market positions, trade secrets, the census, etc., are all protected by law. These laws are well understood by those who deal with such information.

The only laws governing the disclosure of classified defense, diplomatic or intelligence information is the Espionage Act, Title 18 U.S. Code, sections 793-798. Enacted in a time when those entrusted with the Nation's secrets were not likely to reveal them publicly, the Espionage Act's interest is to punish those providing government secrets to a foreign power. Despite the recent conviction of Samuel Morison under this law, many lawyers contend that

3
CONFIDENTIAL

CONFIDENTIAL

it applies only to disclosures to agents of a foreign power. Specific laws against the public revelation of classified information would clear up this legal controversy and would show that Congress has the political will to protect the Nation's secrets.

In addition to the criminal penalties for misuse of economic data, there is the risk of civil action. In most cases of an individual profiting from illicit use of privileged information, there are others who are damaged by the same action. They have a powerful interest in ensuring that the violation is penalized. When classified information is revealed, there may be a strong interest by senior officials in protecting the identity of the individual who made the unauthorized disclosure.

The population handling the data. Efforts to determine the number of persons in the economic, financial and banking industries have been unavailing thus far. Nevertheless, it seems clear that specific kinds of data are restricted to relatively small numbers of people. The kinds of information relating to Federal Reserve Board or Securities and Exchange Commission activities would be known only to a few senior executives. Sensitive data would not normally receive very broad dissemination.

The number of persons holding clearances for access to classified information has been reported to be in excess of 2.5 million. Similar reports say that more than 200,000 people have access to sensitive compartmented information (SCI). The possibility of any long-term reduction of these numbers is very low. The fact is that in order for intelligence information

CONFIDENTIAL

to provide optimum benefit, it must receive broad dissemination. While sanitization of reports is often possible, the intelligence frequently has the inherent capability to reveal sources and methods. Even when sanitization is possible, officials insist upon knowing sources and methods as a gauge of the report's credibility.

Attitudes. As mentioned previously, in the financial world there are well understood individual and institutional equities that support the protection of sensitive data. Often the government official's understanding of security is based upon an hour or less of indoctrination, presented at a time when his or her interest is concentrated on getting established in a new job. The official may encounter a certain looseness in the discussion of classified data that impresses him as more "real world" than the inconvenience imposed by strict observation of security.

It is recognized that there are several motivations for revealing classified information. All of them, at least in the eyes of the discloser, have redeeming social or political value. They include promoting (or opposing) budget or policy positions, developing public support for individuals or programs, and seeking favor with the news media. The compromise of intelligence sources and methods through such activities often is highly debilitating. The ability to collect intelligence on the activities and intentions of hostile foreign governments and terrorist groups has been compromised by statements to the press by well-meaning officials. The attitude too frequently is that individuals can make correct decisions about what can be revealed safely, without consulting those who understand fully the implications of the revelation.

CONFIDENTIAL

There is a need to educate security-cleared persons regarding the risks to the national security involved in unauthorized disclosures of classified information to others who may reveal the information directly or indirectly to hostile governments. Considering the size of the group requiring such reorientation, this is a massive task. There is a need to raise the perception of risk to those cleared people who make such unauthorized disclosures. There being only one case of an individual being severely penalized as a result of unauthorized disclosure, it would be extremely difficult to convince anyone that the risk is taken seriously.

In summary, there is a need for specific legislation on the unauthorized disclosure of classified information, just as there is existing law on commodity futures. There is a need to exercise a level of effort to protect classified information similar to that shielding financial data. It must be recognized that intelligence requires broad dissemination to be valuable, while financial data can be closely held and controlled. Finally, security depends on individual motivation and effort. The resources to impose and enforce strict security on all the cleared people in the U.S. would be unaffordable. Our best security is obtained through careful screening of personnel for clearances. It can be shown that the addition of polygraph testing substantially enhances the clearance process and provides a deterrent to misuse of classified information. Not to use the polygraph to help ameliorate this problem severely handicaps the security of our nation.